

LONGWOOD UNIVERSITY

**INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED
JUNE 30, 2007**



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Commonwealth of Virginia

Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

Walter J. Kucharski, Auditor

December 17, 2007

The Honorable Timothy M. Kaine
Governor of Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
And Review Commission

Patricia P. Cormier
President, Longwood University

INDEPENDENT AUDITOR'S REPORT ON APPLICATION OF AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by the President of the **Longwood University** solely to assist the University in evaluating whether the accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs of the University is in compliance with National Collegiate Athletic Association (NCAA) Bylaw 6.2.3, for the year ended June 30, 2007. The University's management is responsible for the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule) and the Schedule's compliance with NCAA requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the University. Consequently, we make no representation regarding sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Agreed-Upon Procedures Related to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

The procedures that we performed and our findings are as follows:

Internal Controls

1. We reviewed documentation of accounting systems and operating procedures. We reviewed the relationship of internal control over intercollegiate athletics programs to internal control reviewed in connection with our audits of the University's financial statements. In addition, we identified and reviewed those controls unique to intercollegiate athletics programs, which were not reviewed in connection with our audits of the University's financial statements.

2. We reviewed an organizational chart provided by Intercollegiate Athletics Department and discussed it with appropriate personnel. We also made certain inquiries of management regarding control consciousness, the use of internal audit in the Department, competence of personnel, and protection of records and equipment.
3. The University provided us with their procedures for gathering information on the nature and extent of affiliated and outside organizational activity for or on behalf of the intercollegiate athletics programs.

Affiliated and Outside Organizations

4. Intercollegiate Athletics Department management identified all intercollegiate athletics-related affiliated and outside organizations and provided us with copies of audited financial statements for each such organization for the reporting period.
5. The Intercollegiate Athletics Department prepared and provided to us a summary of revenues and expenses for or on behalf of the intercollegiate athletics programs by affiliated and outside organizations included in the Schedule.
6. We obtained any additional reports regarding internal control matters identified during the independent audits of affiliated and outside organizations and inquired as to the corrective action taken in response to such comments. We noted that the affiliated organizations had been audited by independent public accountants and we were not made aware of any internal control findings.

Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

7. We obtained the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs for the year ended June 30, 2007, as prepared by the University and shown in this report. We recalculated the addition of the amounts on the Schedule, traced the amounts on the Schedule to management's worksheets, and agreed the amounts on management's worksheets to the Intercollegiate Athletics Department's accounts in the accounting records. We noted no differences between the amounts in the Intercollegiate Athletics Department's accounts in the accounting records and the amounts on the worksheets. We discussed the nature of work sheet adjustments with management and are satisfied that the adjustments are appropriate.
8. We applied certain analytical review techniques to the balances reported on the Schedule in order to determine the reasonableness of amounts reported therein. These techniques included trend analyses and other tests using operating data and review of actual amounts expended in comparison to budgeted amounts.

Revenues

9. We compared each major revenue account to prior period amounts and budget estimates. We obtained and documented an understanding of all significant variances.
10. Intercollegiate Athletics Department management provided us with a reconciliation of tickets sold during the reporting period along with complimentary tickets and unsold tickets to the revenue recorded in the Schedule and related attendance figures. We reviewed these

reconciliations for selected games and found such reconciliations to be accurate and agreed to amounts recorded as ticket revenue for those games.

11. We compared student fees reported in the Schedule to amounts reported in the accounting records and agreed the recorded comprehensive fee amount to allocation documentation. We found these amounts to be materially in agreement.
12. Intercollegiate Athletics Department management provided us with settlement reports and game guarantee agreements for away games during the reporting period. We reviewed these settlement reports and guarantee agreements for selected games and verified the mathematical accuracy and coding of the settlement reports and game guarantee agreements. We found that revenue was properly computed and deposited intact and promptly.
13. Intercollegiate Athletics Department management provided us with a listing of all contributions of moneys, goods, or services received directly by the Intercollegiate Athletics Department from any affiliated or outside organization, agency, or group of individuals that constitutes ten percent or more of all contributions received during the reporting period. We vouched each individual contribution received directly by the University for its intercollegiate athletics programs that constituted more than ten percent of the contributions so received. Except for contributions received from the Longwood University Foundation, Incorporated, an affiliated organization, we noted no individual contribution which constituted more than ten percent of total contributions received for intercollegiate athletics.
14. From the summary of revenues and expenses for or on behalf of the intercollegiate athletics programs by affiliated and outside organizations, we selected and tested receipts of such revenue and agreed each selection to supporting documentation and proper posting in the accounting records. We found all reviewed transactions to be in agreement.
15. Based on analytical review, we deemed revenues from royalties, advertisements, and sponsorships to be reasonable. We deemed these revenues to be immaterial for detailed testing.
16. We obtained an understanding of the University's methodology for recording revenues from sport camps. We found that the University received and recorded revenues consistent with the terms of the contracts and amounts were deposited promptly and intact.
17. Based on receipts as listed in the accounting records, we selected and tested collections by the intercollegiate athletics program. We compared and agreed the selected operating receipts to adequate supporting documentation. We found all reviewed amounts to be in agreement with supporting documentation, properly recorded in the accounting records and deposited intact and promptly.

Expenses

18. We compared each major expense account to prior period amounts and budget estimates. We obtained and documented an understanding of all significant variances.
19. Intercollegiate Athletics Department management provided us a listing of institutional student aid recipients during the reporting period. We selected individual student athletes across all sports and agreed amounts from the listing to their award letter. We also ensured that the

total aid amount for each sport materially agreed to amounts reported as financial aid in the student accounting system.

20. Based on an analytical review, we deemed game expenses for home games to be reasonable. Game expenses were deemed to be immaterial for detailed testing.
21. Intercollegiate Athletics Department management provided us with a listing of coaches, support staff, and administrative personnel employed and paid by the University during the reporting period. We selected and tested individuals and compared amounts paid for one pay period or a bonus payment from the payroll accounting system to their contract or other employment agreement document. We found that recorded expenses equaled amounts paid as salary and bonuses and were in agreement with approved contracts or other documentation.
22. We discussed the University's recruiting expense and team travel policies with Intercollegiate Athletics Department management and documented an understanding of those policies.
23. We obtained an understanding of the University's methodology for allocating indirect facilities support and ensured that amounts reported on the Schedule agreed to amounts recorded in the accounting records.
24. Based on disbursements as listed in the accounting records, we selected and tested payments to third parties by the intercollegiate athletics program. These disbursements were for supplies, equipment, travel, and other general expenses. We compared and agreed the selected operating expenses to adequate supporting documentation. We found all reviewed amounts to be properly approved, in agreement with supporting documentation, and properly recorded in the accounting records.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression on an opinion on the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs or any of the accounts or items referred to above. Accordingly, we do not express such an opinion. Had we performed additional procedures or had we made an audit of any financial statements of the Intercollegiate Athletics Department of Longwood University in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to the University. This report relates only to the accounts and items specified above and does not extend to the financial statements of Longwood University or its Intercollegiate Athletics Department taken as a whole.

This report is intended solely for the information and use of the President and the University and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

JHS:clj
clj:43

SCHEDULE

LONGWOOD UNIVERSITY
SCHEDULE OF REVENUES AND EXPENSES
OF INTERCOLLEGIATE ATHLETIC PROGRAMS
For the Year Ended June 30, 2007

	Men's Basketball	Women's Basketball
Operating revenue:		
Ticket sales	\$ 5,131	\$ 1,969
Student fees	417,067	325,271
Guarantees	255,000	26,000
Contributions	4,028	15,646
Indirect facilities and administrative support	5,085	3,966
Royalties, advertisements, and sponsorships	-	-
Sports camp revenues	-	-
Endowment and investment income	1,014	4,120
Other	-	-
Total operating revenue	687,325	376,972
Operating expenses:		
Athletic student aid	265,394	214,641
Guarantees	4,500	6,000
Coaching salaries, benefits, and bonuses	302,210	217,028
Support staff and administrative salaries, benefits, and bonuses	-	-
Recruiting	26,192	18,402
Team travel	81,182	82,032
Equipment, uniforms, and supplies	14,464	14,985
Game expenses	18,431	11,088
Fund raising, marketing and promotion	580	90
Sports camp expenses	-	-
Direct facilities, maintenance, and rental	56,729	56,762
Spirit groups	-	-
Indirect facilities and administrative support	5,085	3,966
Medical expenses and insurance	72	657
Membership dues	-	-
Other	11,927	14,521
Total operating expenses	786,766	640,172
Excess (deficiency) of revenues over (under) expenses	\$ (99,441)	\$ (263,200)

Other sports include baseball, field hockey, golf, gymnastics, lacrosse, soccer, swimming, tennis, track and field, and volleyball.

The accompanying Notes to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs are an integral part of this schedule.

Other Sports	Non-Program Specific	Totals
\$ -	\$ -	\$ 7,100
1,201,046	2,507,264	4,450,648
15,450	-	296,450
88,974	172,526	281,174
14,644	30,570	54,265
500	95,173	95,673
126,499	-	126,499
18,633	44,648	68,415
14,809	-	14,809
1,480,555	2,850,181	5,395,033
1,020,836	15,439	1,516,310
529	-	11,029
957,572	-	1,476,810
-	838,633	838,633
35,561	2,218	82,373
235,509	16,251	414,974
100,227	26,520	156,196
67,663	7,975	105,157
1,646	17,586	19,902
72,952	-	72,952
251,406	134,210	499,107
-	2,909	2,909
14,644	30,570	54,265
-	64,268	64,997
2,230	11,195	13,425
37,105	266,637	330,190
2,797,880	1,434,411	5,659,229
\$ (1,317,325)	\$ 1,415,770	\$ (264,196)

LONGWOOD UNIVERSITY
NOTES TO THE SCHEDULE OF REVENUES AND EXPENSES
OF INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs has been prepared on the accrual basis of accounting. The purpose of the Schedule is to present a summary of revenues and expenses of the intercollegiate athletics programs of the University for the year ended June 30, 2007. The Schedule includes those intercollegiate athletics revenues and expenses made on behalf of the University's athletics programs by outside organizations not under the accounting control of the University. Because the Schedule presents only a selected portion of the activities of the University, it is not intended to and does not present either the financial position, changes in financial position, or cash flows for the year presented. Revenues and expenses directly identifiable with each category of sport presented are reported accordingly. Revenues and expenses not directly identifiable to a specific sport are reported under the category "Non-Program Specific."

B. Capital Assets

Capital assets include land, buildings and other improvements, and equipment. Capital assets are generally defined by the University as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at actual cost or estimated historical cost if purchased or constructed. Expenditures for major capital assets and improvements are capitalized (construction in progress) as projects are constructed. The costs of normal maintenance and repairs that do not add to an asset's value or materially extend its useful life are not capitalized.

University policy over the acquisition of fixed assets is as follows. The Faculty/staff identifies a need for the purchase, the requesting Faculty/staff prepares the purchase order and it is sent to Material Management. Material Management processes the purchase order in accordance with acceptable guidelines. If the purchase order is approved it is released and the product/service is ordered. The product/service is then delivered to the requestor and that person or Central Stores completes the receiving report. Accounts Payable will then issue the payment.

Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. Useful lives by asset categories are listed below:

Buildings	50 years
Equipment	5-15 years

When an item is no longer needed by a department and no other department is known to have a need for it, the following procedure is applicable. A surplus form is

completed by the initiating department and all copies are submitted to the Property Control clerk with the item to be surplus. Additional procedures outlining the policy for disposal in cases of theft, loss and transfer to another department are outlined on the Longwood University Material Management website, but all are similar to the procedure outlined above as they require the completion of the Longwood University surplus form.

The net book values for fixed assets in the Athletic department at June 30, 2007 are as follows:

Buildings	\$2,368,249
Construction-In-Progress	\$7,570,499
Equipment	\$138,757
Land	\$390,900

2. AFFILIATED ORGANIZATION

The University received \$281,174 from the Longwood University Foundation, Inc. to be used for the Athletic program. These contributions are included in the accompanying schedule.

3. ENDOWMENTS

The University does not have endowments which are received for the use of the Intercollegiate Athletics Department. Endowments received are held by the Longwood University Foundation, Inc. which is a related party. For the year ended June 30, 2007, the Foundation distributed \$68,415 in endowment and investment income as shown in the Schedule.

4. LONG-TERM INDEBTEDNESS

Intercollegiate athletics programs transferred \$492,820 in a mandatory transfer to the general University accounts to pay principal and interest payments on the long-term debt for the year ended June 30, 2007. Of this total, \$280,736 went to pay the debt service on the Lacrosse/Field Hockey Complex construction, \$84,824 went to pay the debt service on the Soccer field construction, \$13,802 went to pay the debt service on the Baseball/Softball field construction and \$113,458 went to pay the debt service on the Willett Hall renovation.

Long-term debt relating to intercollegiate athletics is shown below.

	<u>Interest Rates</u>	<u>Maturity</u>	<u>Balance as of June 30, 2007</u>
Lacrosse Field Hockey, Series 2004A	3.000-5.000	2025	\$ 2,930,000
Soccer Fields, Series 2005A	3.750-5.000	2026	1,605,000
Lancer Gym/Willett Hall, Series 2005A	3.500-5.000	2026	1,500,000
Baseball/Softball 2006A	3.000-5.000	2027	<u>1,195,000</u>
Total			<u>\$ 7,230,000</u>

Long-term debt matures as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2008	250,000	336,819
2009	260,000	327,306
2010	270,000	316,325
2011	275,000	304,669
2012	295,000	291,469
2013-2017	1,705,000	1,215,094
2018-2022	2,180,000	737,325
2023-2027	<u>1,995,000</u>	<u>174,934</u>
Total	<u>\$ 7,230,000</u>	<u>\$ 3,703,941</u>

5. ADMINISTRATIVE COST RECOVERY

In fiscal year 2007, the amount of recovery cost for intercollegiate athletics programs, based on the State Council of Higher Education for Virginia (SCHEV) approved recovery rate, was \$391,156. Of this total, \$250,194 is included in Coaches salaries, as well as Support staff and administrative salaries, and \$140,962 is included in Other operating expenses on the accompanying schedule. The SCHEV cost recovery rate applicable for 2007 was 14.35%.

6. NCAA CLASSIFICATION

Effective September 1, 2007, Longwood University officially transferred to and began active membership in the NCAA Division I classification for athletics.

LONGWOOD UNIVERSITY
Farmville, Virginia

BOARD OF VISITORS

Marjorie M. Connelly, Rector

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UNIVERSITY OFFICIALS

Patricia P. Cormier
President

Wayne McWee
Provost and Vice President for Academic Affairs

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Vice President for Administration and Finance

Troy Austin
Interim Athletic Director

